



FTR

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony Insurance and Real Estate Committee February 18, 2016

Senate Bill No. 28 An Act Concerning Accelerated Benefits of Life Insurance Policies. (INS)

Chairmen Crisco and Megna, Ranking Members Kelly and Sampson and esteemed members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony in opposition to **Senate Bill 28: An Act Concerning Accelerated Benefits of Life Insurance Policies.**

The bill is intended to accelerate the death benefits of a life insurance policy for certain individuals by changing the definition of “qualifying event.” The proposed definition change would provide access to benefits for people who cannot perform at least two activities of daily living such as eating, dressing, bathing, toilet use and dressing. This bill is laudable in its intent; however, the Department does wish to raise some concerns.

The existing definition meets the requirements of the Internal Revenue Code to be a “tax qualified” product. However, adjusting the definition to this new standard could jeopardize a product’s “tax qualified” status, meaning policyholders would not be able to reap the benefits of purchasing a product on which they would not need to pay taxes on their premium immediately. The existing definition also includes language to ensure that the qualifying event is based primarily on a mortality risk since the subject is life insurance rather than a morbidity risk as it would under a health insurance policy.

Further, the revised definition of “chronically ill” is now comparable to the qualifying event for long-term care coverage. The Department cautions that the proposed definition may be in conflict with Connecticut General Statutes 38a-457(c) which prohibits the inclusion of long-term care coverage in an accelerated benefits life insurance policy as defined in CGS sections 38a-501 and 38a-528. Under CGS section 38a-458, carriers may sell policies that accelerate the benefits of a life insurance policy for long-term care purposes, as defined under CGS section 38a-501 and 38a-528, with the same definition of “chronically ill” as proposed through this legislation.

Finally, the Department has been working together with the American Council of Life Insurers (ACLI) and the Insurance Associate of Connecticut (IAC), brokers and carriers to craft regulations under CGS section 38a-458 that will allow the sale of these products, providing consumers with more choice to select

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department’s annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state’s General Fund.

products that best suit their needs. The Department believes the appropriate place for these types of policies is under 38a-458 rather than under CGS section 38a-457. The regulation making process is rigorous and transparent and provides for public comment. The Insurance and Real Estate Committee will receive notice of the proposed regulation once it is submitted and have the opportunity to provide comment.

The Department thanks the Insurance Committee Chairs and members for the opportunity to submit testimony on S.B. 28.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.